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UNCLAS MUSCAT 000990

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SENSITIVE

STATE FOR NEA/ARP, EB/CBA (B.BEHRENS)
COMMERCE FOR ITA (C.OBERG)
MANAMA FOR S.SIMPSON

E.O. 12958: N/A

TAGS: [BEXP](#) [EAIR](#) [ECON](#) [ETRD](#) [PREL](#) [BA](#) [MU](#)

SUBJECT: COMMERCIAL CONSIDERATIONS KEY TO GULF AIR PURCHASE
OF AIRCRAFT

REF: MUSCAT 896

Summary

[11.](#) (SBU) Conversations with the Minister of Transportation and Communications and the Under Secretary for Civil Aviation Affairs indicate that Gulf Air's upcoming purchase of aircraft will be based on purely commercial grounds, with fuel efficiency being the top concern. While careful not to tip their hands, both appeared to lean towards Boeing. End Summary.

Fuel Efficiency Important

[12.](#) (SBU) On June 18, the Ambassador raised Gulf Air's plans to purchase new long and medium-range aircraft with Minister of Transportation and Communications Sheikh Mohammed bin Abdullah al-Harthi. The Minister responded that Gulf Air's Board of Directors had decided to leave the decision to Gulf Air's management so that it would be made on commercial rather than political grounds. Al-Harthi continued that Gulf Air's most important consideration was fuel consumption, given that the airline's losses primarily resulted from the use of older, less fuel-efficient aircraft. Al-Harthi expressed optimism that Gulf Air's upcoming acquisitions would enable the carrier to compete in the region, and commented that Manama-based Gulf Air CEO James Hogan has not raised any concerns regarding Boeing's proposal. He closed with the comment that the "pressure is now on Airbus."

Treat Your Customers Nicely

[13.](#) (SBU) On June 17, the DCM raised the upcoming purchase with the Ministry of Transportation's Under Secretary for Civil Aviation Affairs Muhammed Sakhir al-Amri. Al-Amri responded that deliberations were underway and that an announcement would be made soon. He further dismissed Airbus' recently reported woes (stock scandals, production delays) as being immaterial to Gulf Air's decision.

[14.](#) (SBU) Al-Amri then recounted his difficulties in traveling to Seattle on behalf of Oman Air (33% government-owned) to finalize the purchase of new Boeing 737 aircraft in February [2002](#). He expressed dismay at being denied boarding privileges by authorities stationed in Amsterdam over a three-day period, then having to be re-routed, on order of U.S. immigration, through Detroit, rather than direct to Seattle. Upon arrival in Detroit, al-Amri was held for questioning in secondary inspection for several hours, resulting in a missed connection. Upon al-Amri's departure, immigration officials argued in front of him as to whether he should be escorted to his flight. A U.S. graduate and a former pilot with Gulf Air, al-Amri noted that he understood the concerns of the U.S. authorities, but objected to the disrespectful manner in which he was treated.

Comment

[15.](#) (SBU) While both Gulf Air board members were careful not to tip their hands, Post is cautiously optimistic that Oman is favorably disposed to Boeing, in spite of the Under Secretary's unpleasant travel experience in [2002](#). Al-Amri

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had a hand in Oman Air's previous decision to go with Boeing in a region that has, until recently, been dominated by Airbus. (Note: Oman Air recently ordered 2 more Boeing 737's, and is eyeing 787's for long-haul expansion. End note.)
GRAPPO